



PARIS, FRANCE

THE IRISH ECONOMY

Presentation

by

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CURRENT POSITION OF ECONOMY

- Background to the present economic growth
- Reasons for success
- Threats to continuing success
- Bond Market



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VITAL STATISTICS

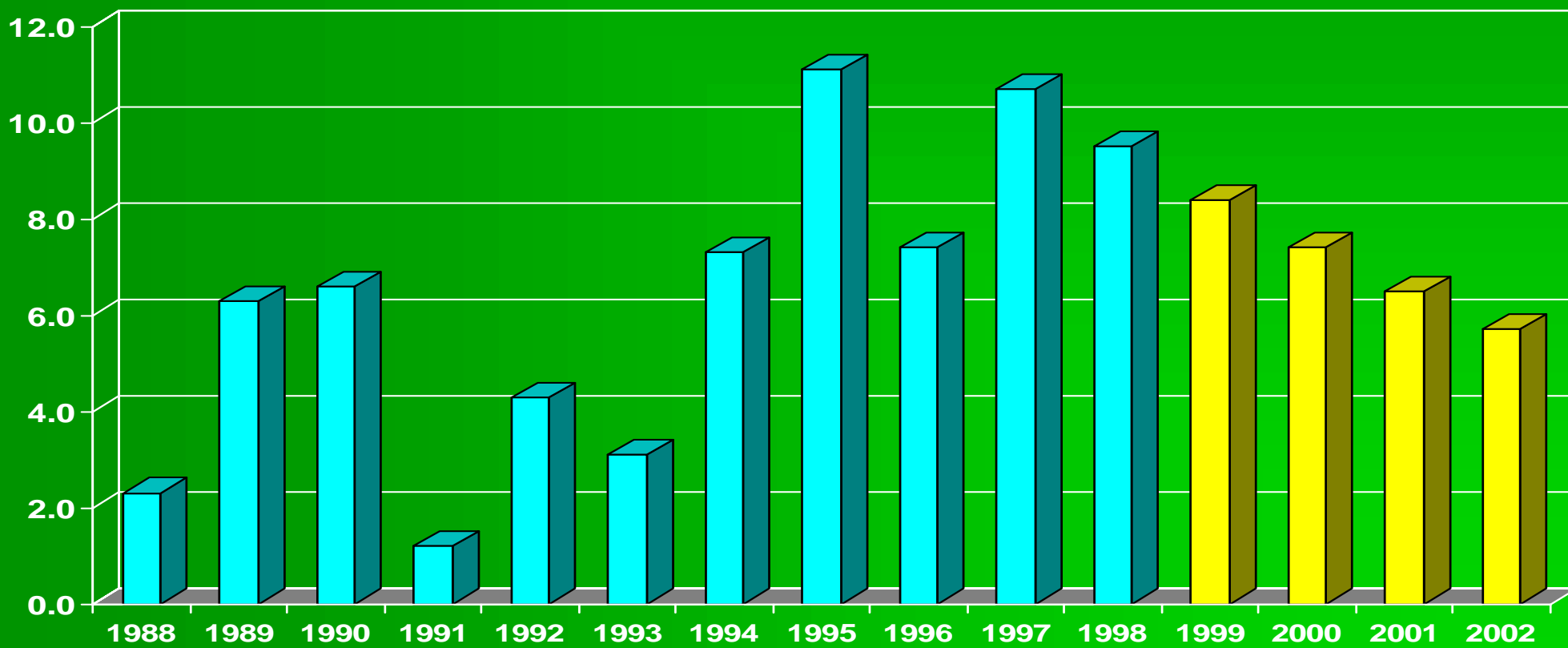
	IRELAND	FRANCE
Population (000s)	3,661	58,608
Per Capita GDP (€) (OECD: current prices/PPP)	23,700	23,250
Area (sq. km.)	68,895	547,000
Population Density (per sq. km.)	53	107
Urban : Rural	58% : 42%	75% : 25%



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Ireland : Economic Background

REAL GDP GROWTH (ANNUAL PERCENT)



Source: Department of Finance



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Ireland : Economic Background

GDP PER HEAD

RELATIVE TO EU-15 AVERAGE

(at current market prices and Purchasing Power Standard)



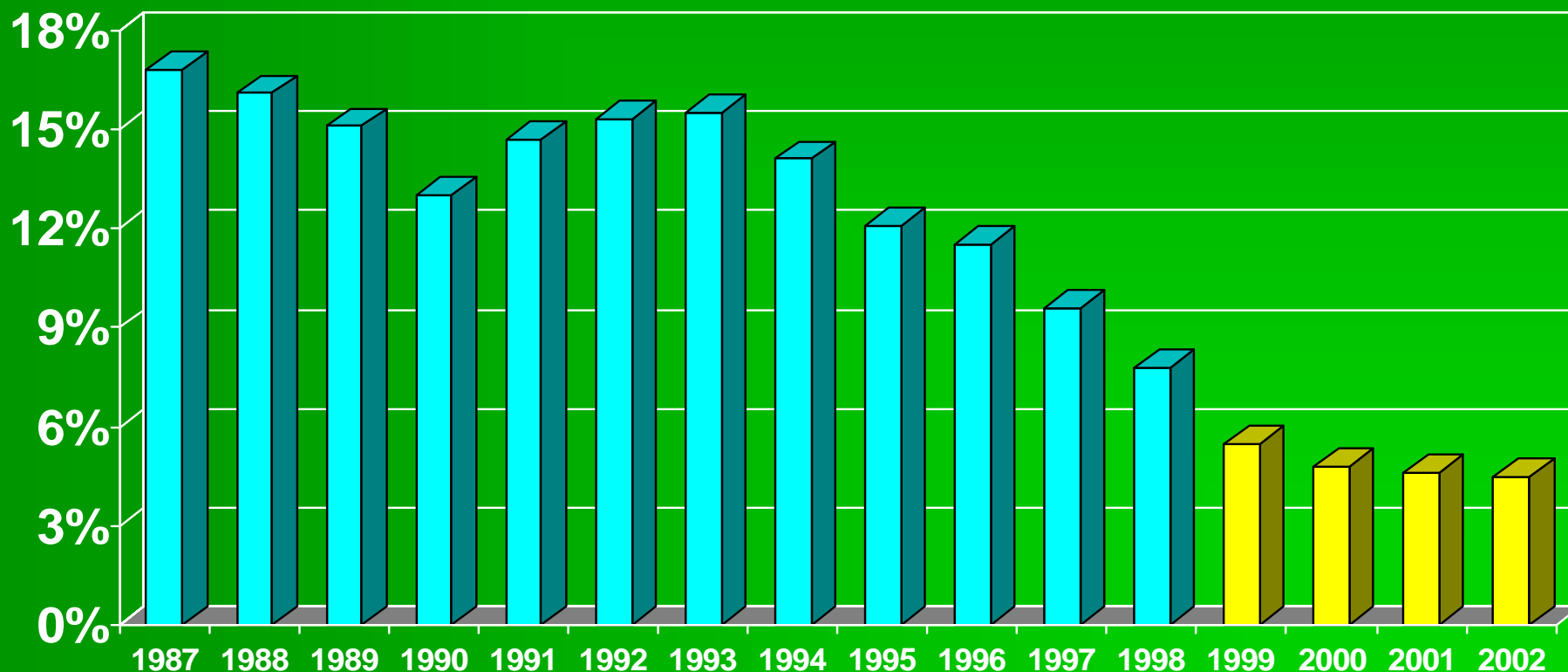
Source: Eurostat



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Ireland : Economic Background

UNEMPLOYMENT (LABOUR FORCE SURVEY BASIS)



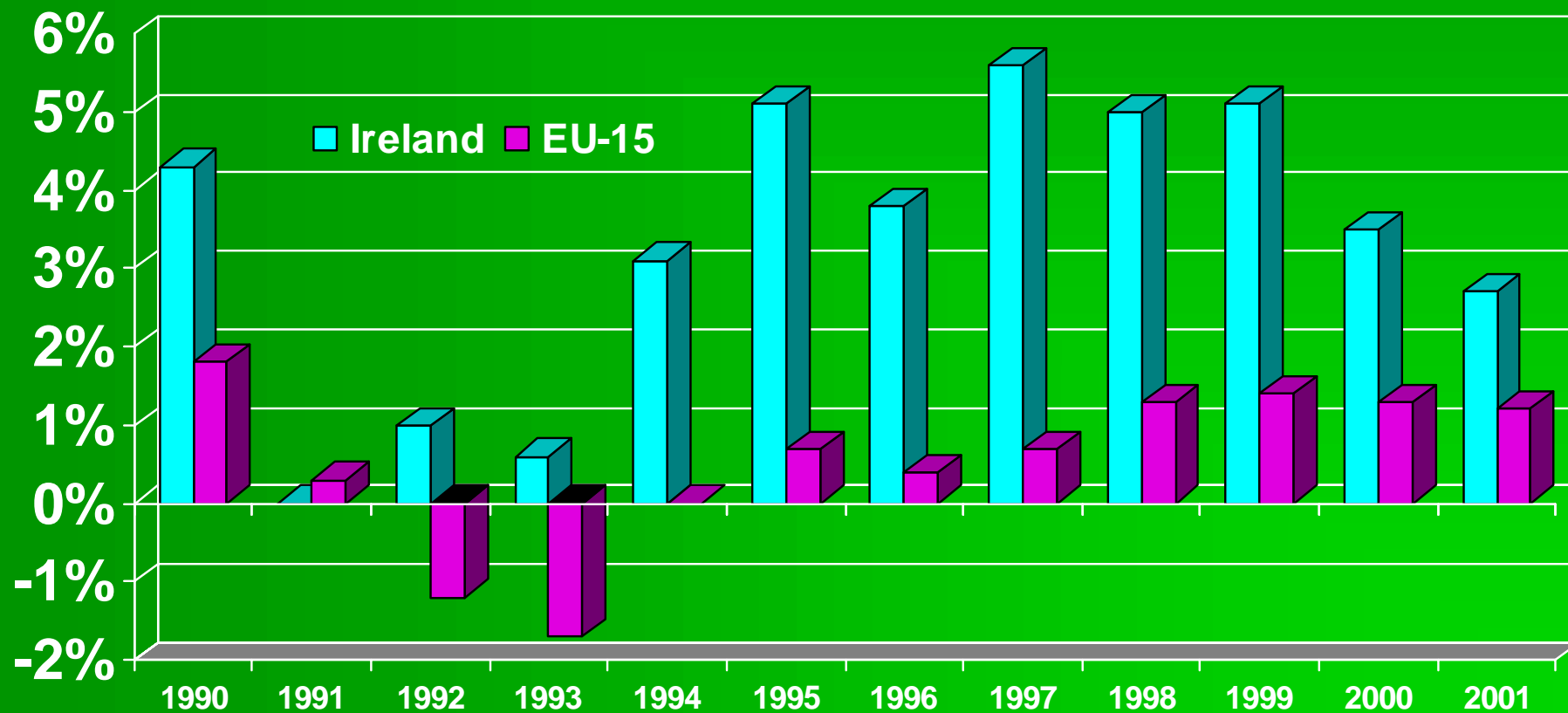
Source: Annual Budget 2000



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Ireland : Economic Background

EMPLOYMENT (percentage change per annum)



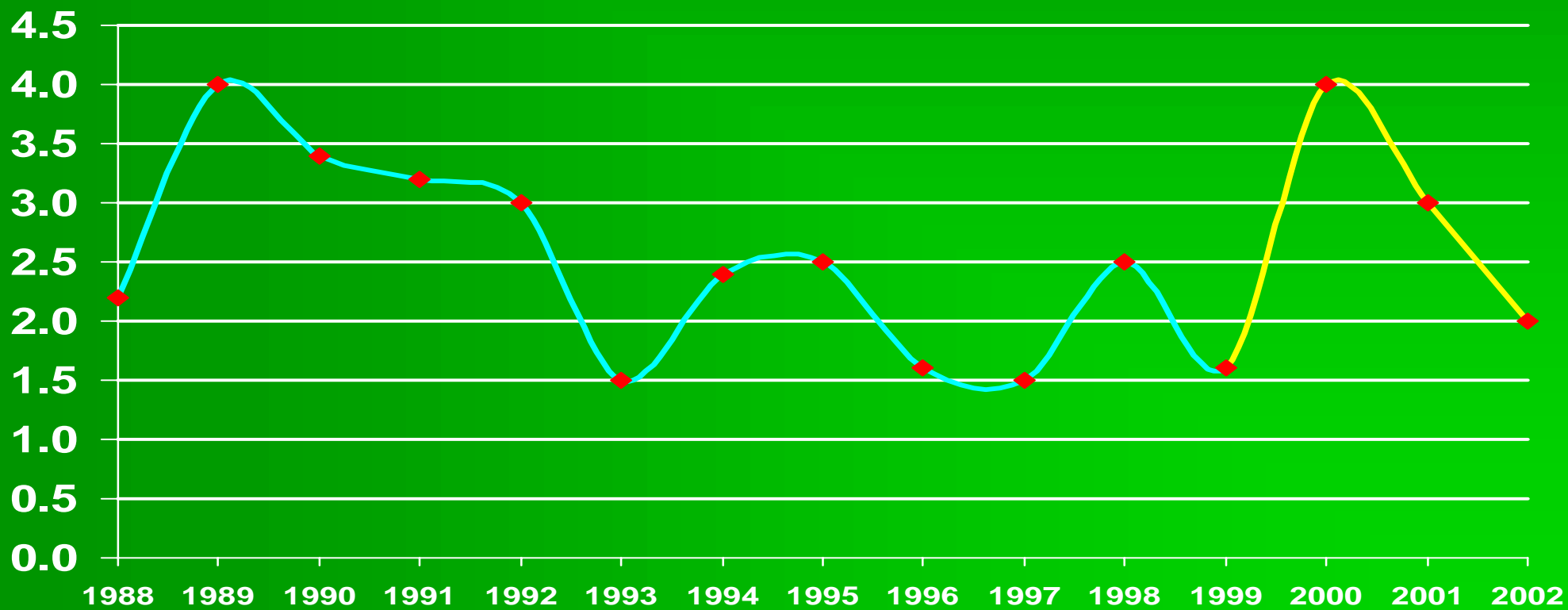
Source: Annual Budget 2000



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Ireland : Economic Background

INFLATION (ANNUAL PERCENT)



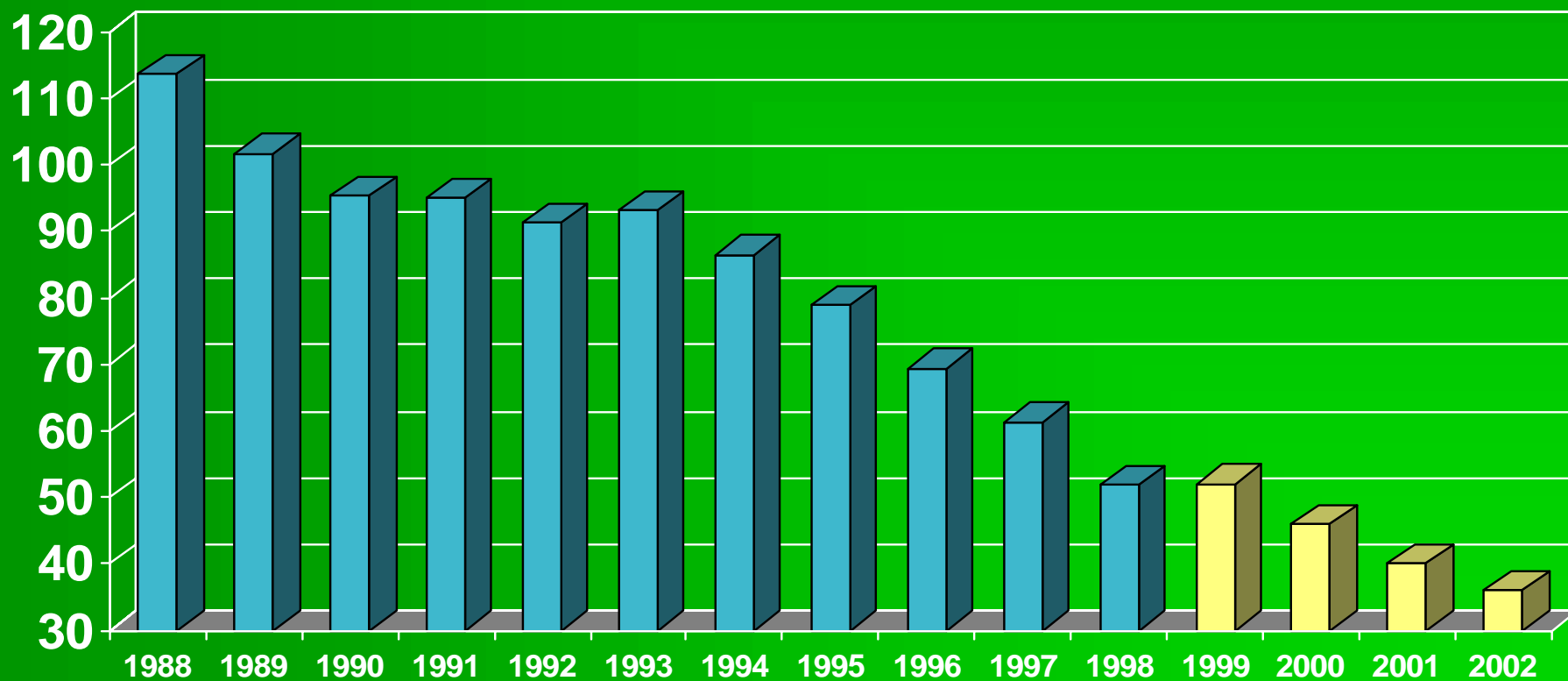
Source: Department of Finance



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Ireland : Economic Background

GENERAL GOVERNMENT DEBT (as % GDP)





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REASONS FOR IRELAND'S SUCCESS

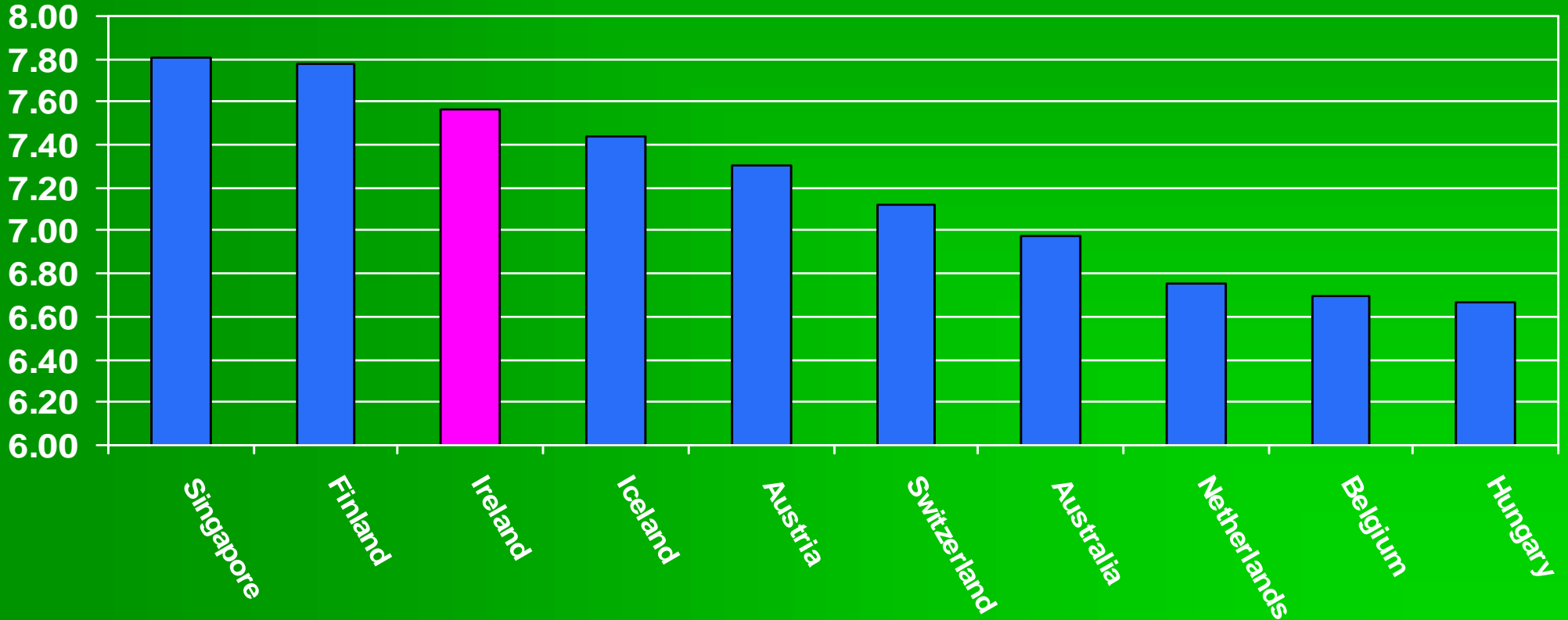
- Significant investment in education
- Stable public finances with buoyant tax yield
- Favourable demographic change
- Foreign Investment in high value added industry
- Strong Productivity Growth



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THE EDUCATION SYSTEM
(meets the needs of a competitive economy)



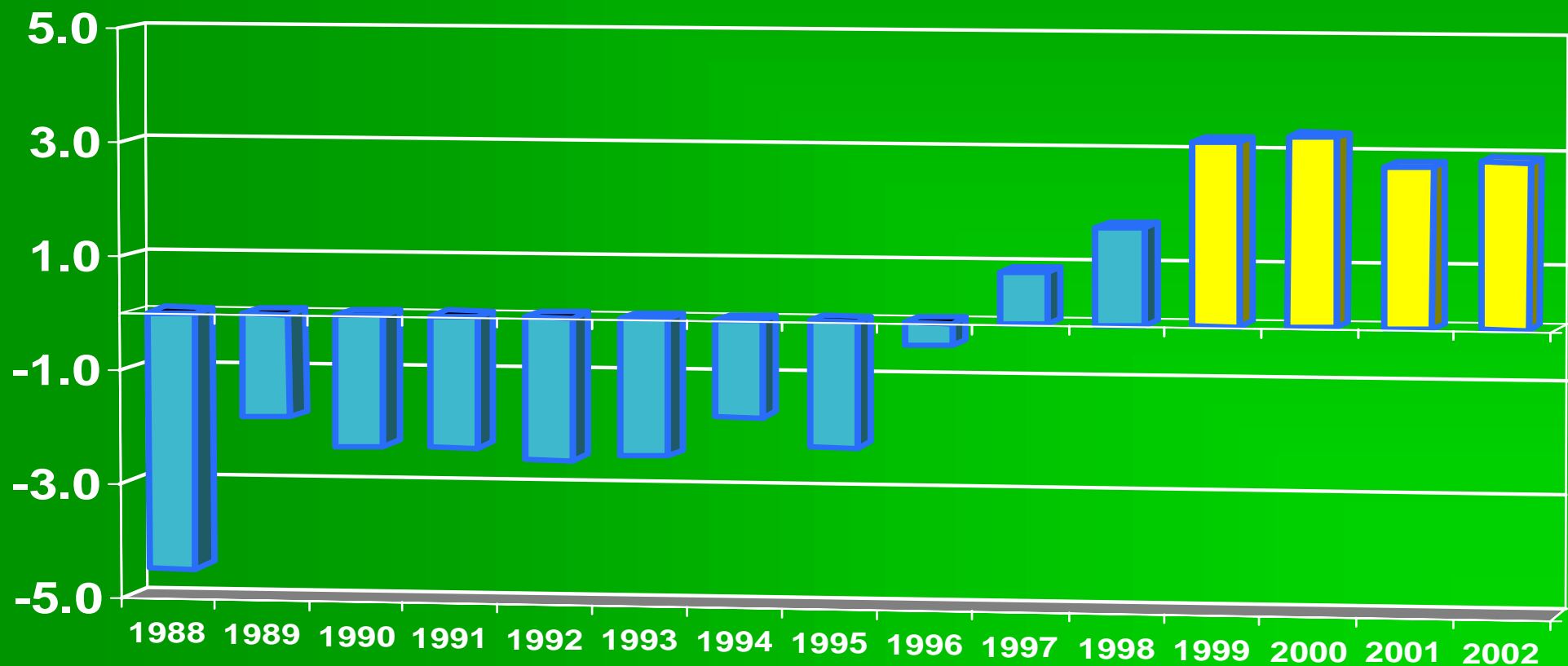
Source: World Competitiveness Yearbook, 2000



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Ireland : Economic Background

GENERAL GOVERNMENT SURPLUS/DEFICIT (as % GDP)



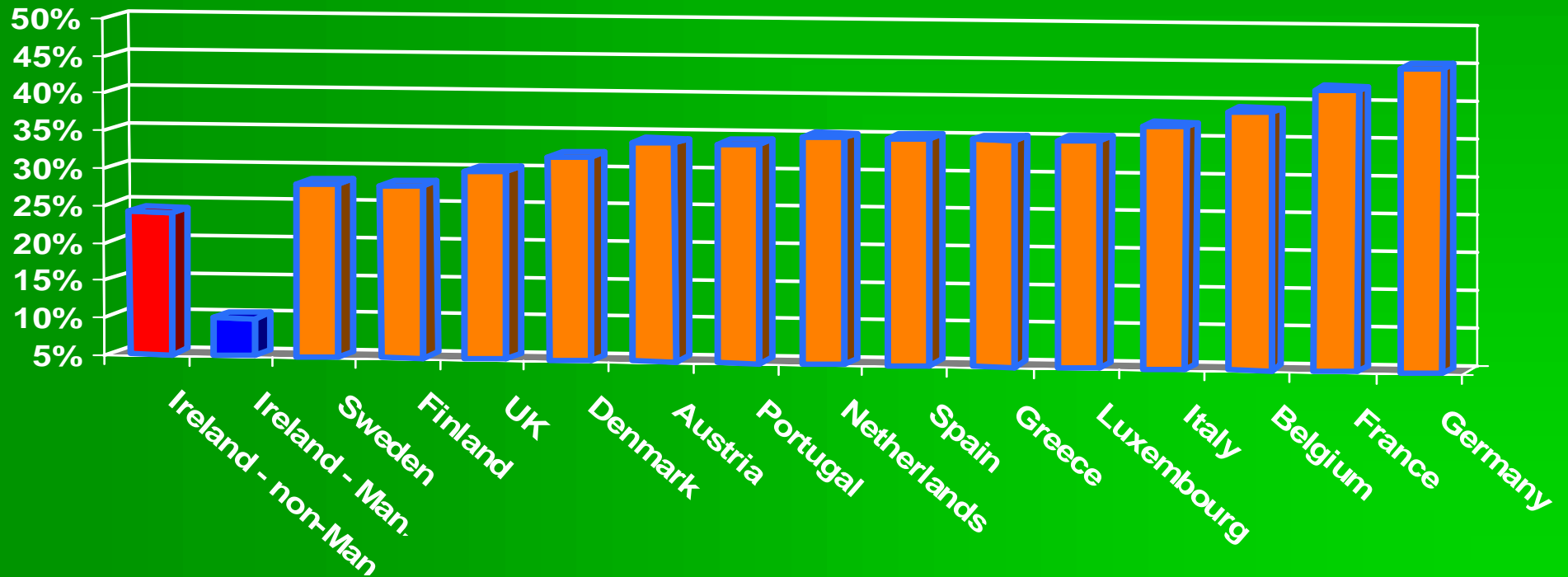
Source: Annual Budget 2000



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Ireland : Economic Background

HEADLINE RATES OF CORPORATION TAX

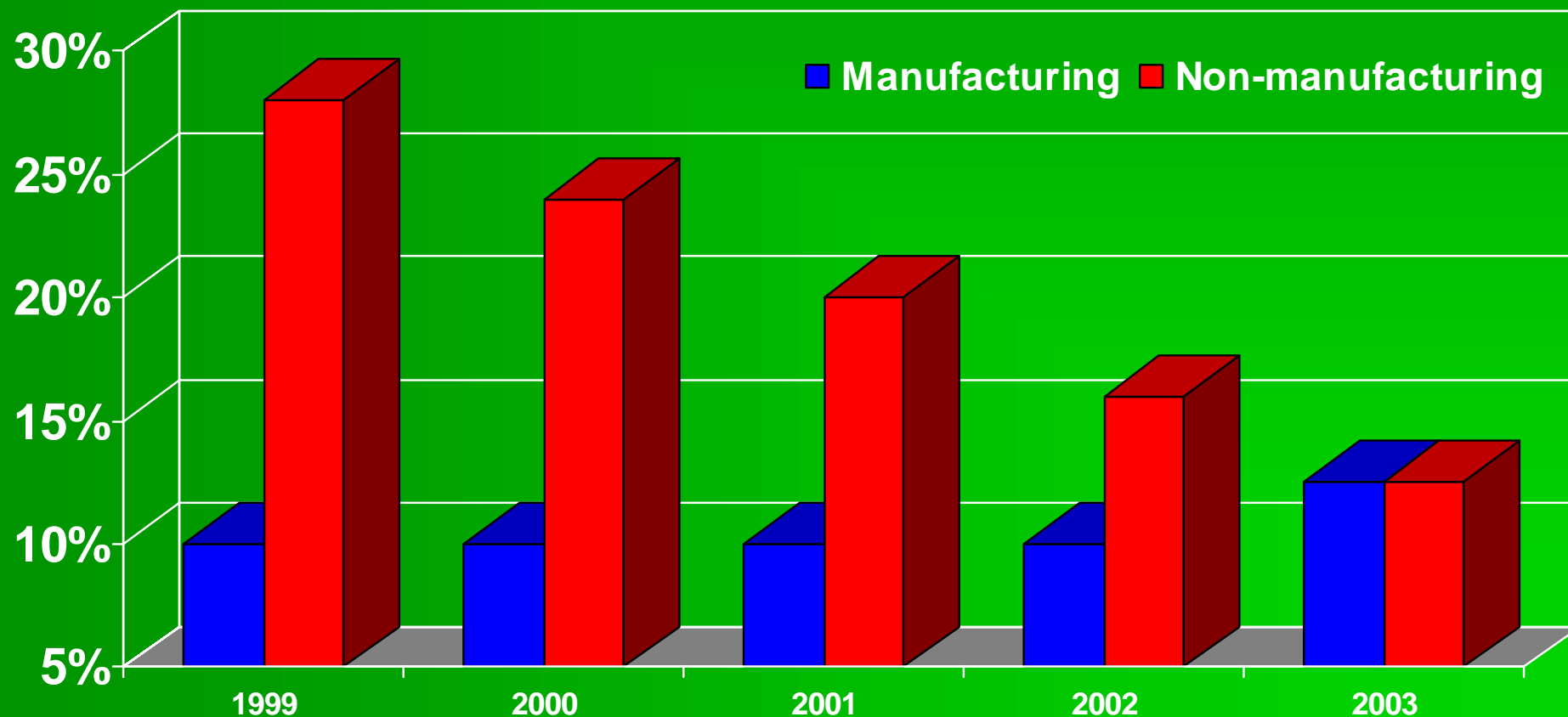


Source: Department of Finance



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Ireland : Economic Background **CONVERGENCE OF IRISH CORPORATE TAX RATES (meets EU requirements)**



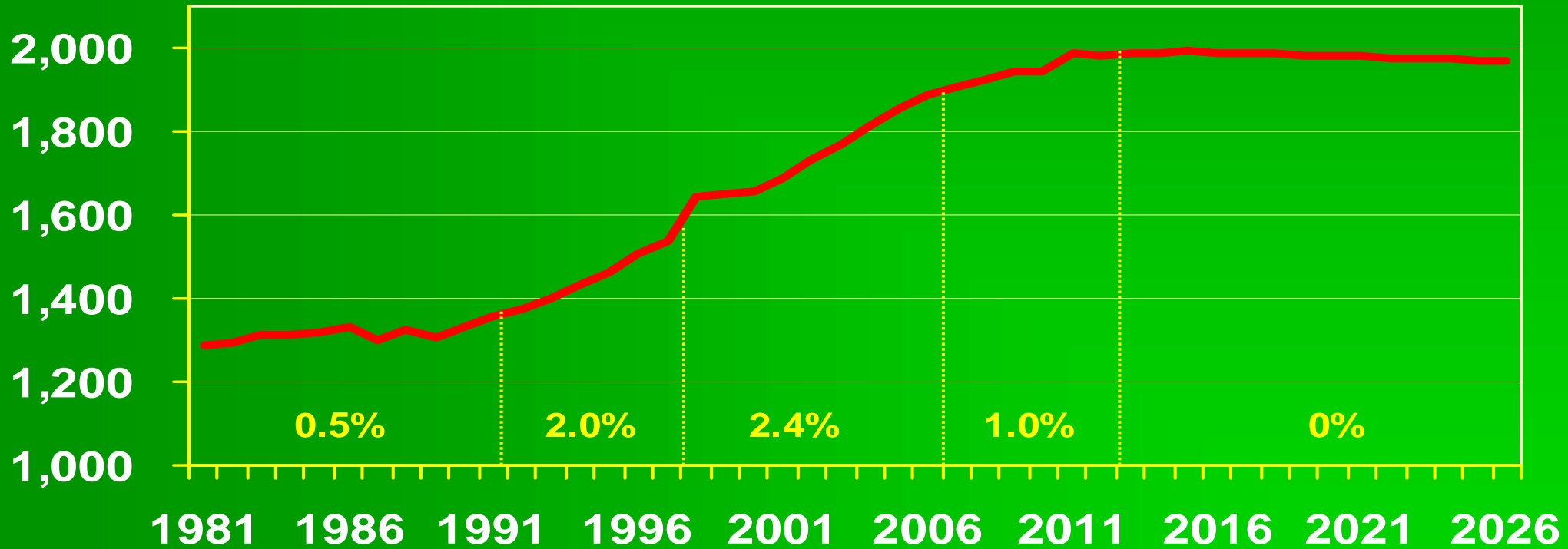
Source: Annual Budget 2000



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Ireland : Economic Background

LABOUR FORCE (000's) Favourable Demographics



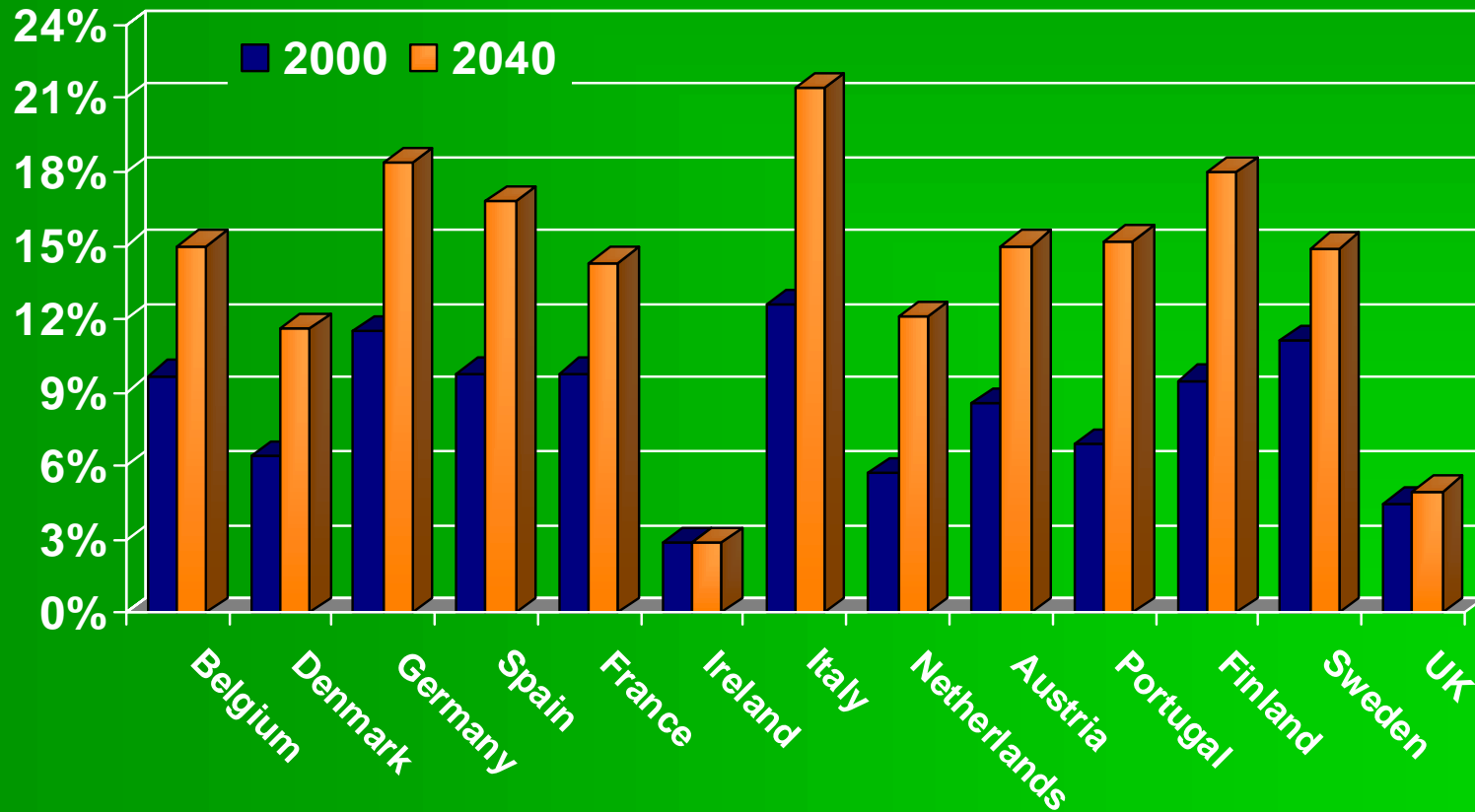
Source: NCB Stockbrokers



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Ireland's Favourable Demographics

European Pension Costs (Projected Cost as a % of GDP)



Source: OECD/FT 23/11/1999



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INDUSTRIAL POLICY - 3C's

- High value added
- Computers (e.g. Intel, Dell, Gateway, Oracle & Microsoft etc.)
- Communications (e.g. IFSC & call centres)
- Chemicals (e.g. US pharmaceuticals)



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OVERALL PRODUCTIVITY (PPP) per person employed, in US\$ Estimates

Top Ten

1. Luxembourg	\$67,354
2. Belgium	\$64,082
3. USA	\$62,454
4. Italy	\$58,800
5. Ireland	\$58,021
6. France	\$56,356
7. Norway	\$52,414
8. Germany	\$51,487
9. Austria	\$51,382
10. Netherlands	\$50,088

Source: World Competitiveness Yearbook, 2000

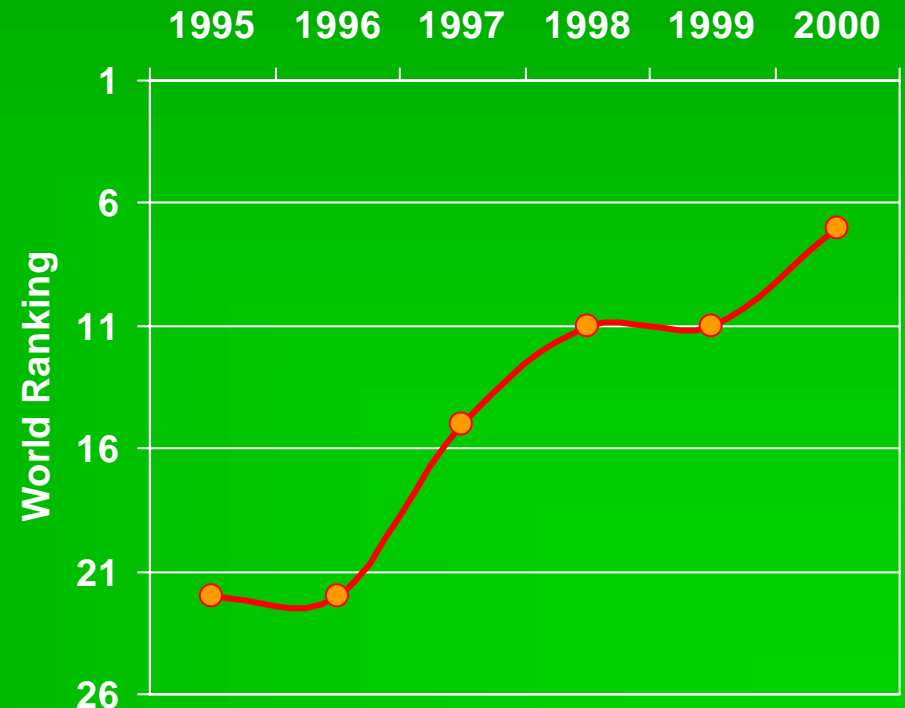


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World Competitiveness Scoreboard 2000

- **1. US**
- **2. Singapore**
- **3. Finland**
- **4. Netherlands**
- **5. Switzerland**
- **6. Luxembourg**
- **7. Ireland**
- **8. Germany**
- **9. Sweden**
- **10. Iceland**

Overall Competitiveness
Performance- Ireland





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POTENTIAL PROBLEMS

- **Retail Price Inflation**
- **Asset Price Inflation/Credit growth**
- **Infrastructural deficit**
- **Sustainable GDP growth rate**
- **Global economic environment**



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RETAIL PRICE INFLATION

Inflation to average 4% in 2000

- **Sharp increase in oil prices (+1.5%)**
- **Budget increase in excise duty on tobacco (+0.75%)**
- **Fall in the value of the euro**
- **Domestic induced inflation**



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INFRASTRUCTURAL DEFICIT

National Development Plan 2000-2006

Proposed Infrastructural investment (€mn)

■ National roads	5,875
■ Public transport	2,790
■ Water & waste	<u>3,120</u>
■ TOTAL	11,785



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ASSET PRICE INFLATION/CREDIT GROWTH 1999

- Mortgage lending approvals +36%
- Number of mortgage loans +14%
- Average loan size +19%
- Average house price +20%



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ASSET PRICE INFLATION/CREDIT GROWTH 1999

Loan to Value Ratios

£'000	1997	1998	1999
All Houses –			
Average Price	81	103	124
Average Loan	54	65	77
Ratio	0.67	0.63	0.62



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SUSTAINABLE GDP GROWTH RATE

- Labour force growth **+2.5%**
- Productivity **+3.5%**
- Sustainable trend **+6.0%**
- OECD reference scenario = **6.5% annual average**
2002 to 2005



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IRELAND'S SUCCESS IS SUSTAINABLE

- Continuation of favourable trend in economic fundamentals
- Favourable demographic position in comparison to EU



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BUDGET SURPLUSES BEING APPLIED TO

- Debt reduction
- Prefunding Pension liabilities



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DEBT REDUCTION

- 1997 €979mn
- 1998 €1,430mn
- 1999 €1,608mn*
- 2000 €2,250mn (estimate)
- Refinancing needs modest, if at all.

*before Securities Exchange Program



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PREFUNDING STATE PENSION LIABILITIES

- €5.3 billion in new State Pension Fund
- Annual contribution of 1% of GNP (c.€900mn p.a.)
- Possible proceeds from future State IPOs
- To be invested in REAL ASSETS
- To remain undrawn until 2025



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CURRENT BENCHMARK BONDS - MAY 2000

	Millions of euro
■ 6 1/2% Treasury 2001	2,055
■ 2 3/4% Treasury 2002	3,031
■ 3 1/2% Treasury 2005	4,774
■ 4% Treasury 2010	6,322
■ 4.6% Treasury 2016	3,606



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Bond Yield Spreads

COUNTRY	2002	2005	2010	2016
France	0	+10	+10	+20
Germany	+5	+10	+25	+24
Finland	-2	-2	+5	N/A
Spain	-2	-6	-3	-6
Italy	-18	-20	-7	N/A

As at 7th June 2000



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CREDIT RATINGS IN EURO

COUNTRY	MOODY'S	S&P	FITCH IBCA
Austria	Aaa	AAA	AAA
France	Aaa	AAA	AAA
Germany	Aaa	AAA	AAA
Luxembourg	Aaa	AAA	AAA
Netherlands	Aaa	AAA	AAA
IRELAND	Aaa	AA+	AAA
Finland	Aaa	AA+	AAA
Belgium	Aa1	Aa+	AA-
Portugal	Aa2	AA	AA
Spain	Aa2	AA+	AA+
Italy	Aa3	AA	AA-



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EUROPEAN BOND SETTLEMENT SYSTEMS

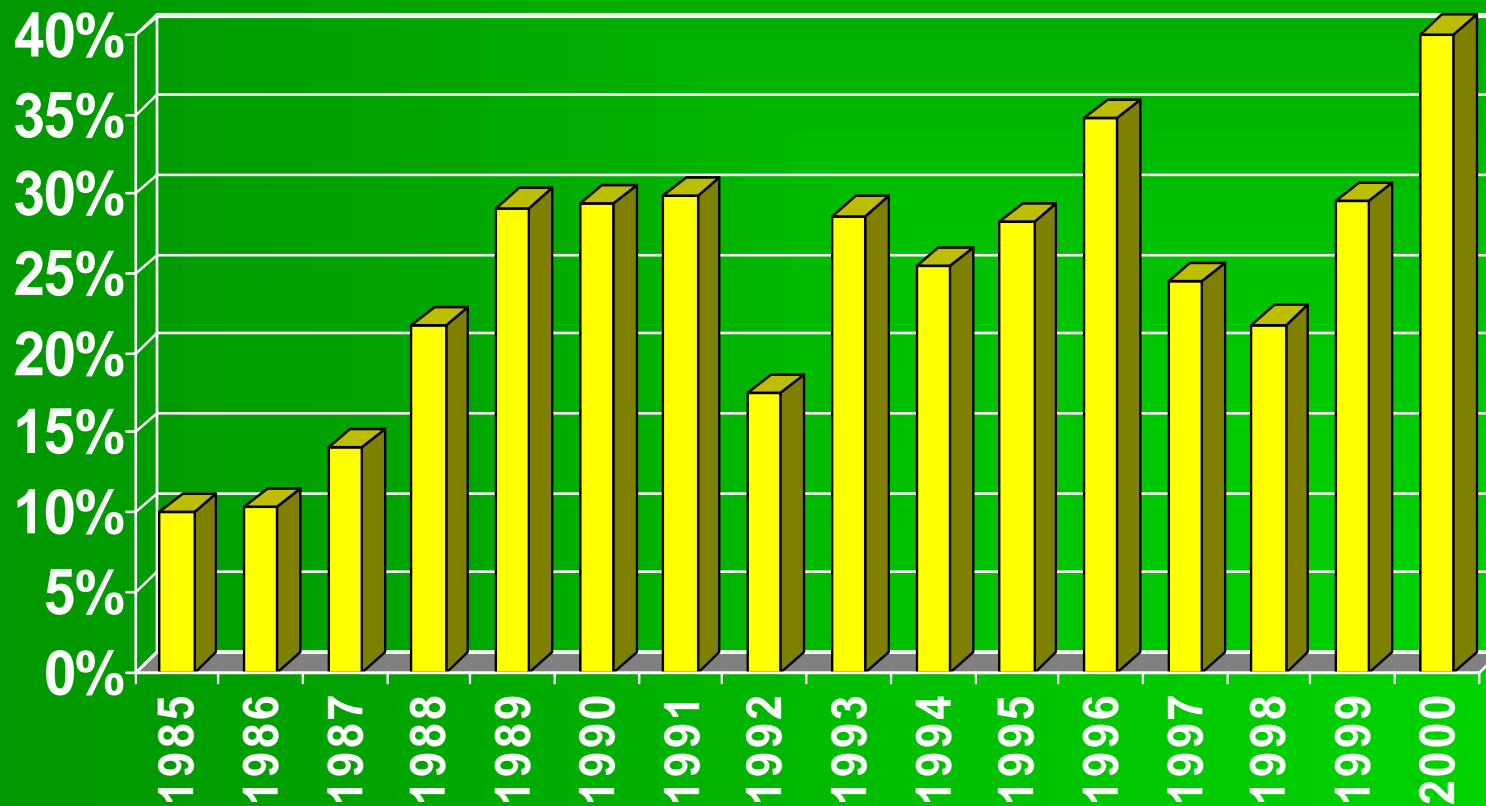
- Central Bank of Ireland Securities Settlement System to be closed
- Euroclear appointed as official settlement & clearing system for Irish Government bond market
- Ireland positioned to meet ECB Requirement for Real time DVP settlement by 2002



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NON-RESIDENT HOLDINGS

IR£ Government Bonds





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CONCLUSIONS

- Debt to continue to fall in absolute and relative terms to GDP

- Spread action
 - Widen?
 - Fall?
 - No change?

- Buy Ireland